

## Malaysian Manufacturing PMI Ease Moderately

- ASEAN PMI improved overall, yet Thailand saw significant deterioration
- Malaysia PMI rose to 49.0
- Inflationary pressures eased in most ASEAN countries
- Mixed signal from China's manufacturing

### OVERVIEW

Table 2: Manufacturing PMI Index (ASEAN, China, Global) 2023/24

	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24
ASEAN	49.7	50.3	50.4	51.5	51.0
China - Caixin	50.8	50.8	50.9	51.1	51.4
- NBS	49.0	49.2	49.1	50.8	50.4
Global	49.0	50.0	50.3	50.6	-
Indonesia	52.2	52.9	52.7	54.2	52.9
Malaysia	47.9	49.0	49.5	48.4	49.0
Philippines	51.5	50.9	51.0	50.9	52.2
Singapore	52.0	-	-	-	-
Thailand	45.1	46.7	45.3	49.1	48.6
Vietnam	48.9	50.3	50.4	49.9	50.3

Source: Markit, NBS, BIMB Securities

The ASEAN Manufacturing PMI posted above the neutral 50.0 mark for the fourth successive month in April. At 51.0, down from 51.5 in March, the latest reading highlighted a softer improvement in the health of the ASEAN manufacturing sector. There were improvements in manufacturing conditions across four of the seven ASEAN constituents, with Indonesia replacing Singapore at the top of the rankings table where PMIs remained comfortably above the crucial 50.0 no-change mark in Indonesia (Apr: 52.9; Mar: 54.2), Philippines (Apr: 52.2; Mar: 50.9) and the Vietnam (Apr: 50.3; Mar: 49.9). Nevertheless, the region is dragged by Thai (Apr: 48.6; Mar: 49.1) and Malaysia (Apr: 49.0; Mar: 48.4). Malaysian manufacturing showed modest growth, suggesting a milder downturn in the sector whilst Thailand signaled the strongest deterioration in operating conditions for the second time in the past three survey periods.

Indonesia's manufacturing sector grew positively with increased output and new orders in April. However, declining confidence led to temporary layoffs and a slight employment reduction, accompanied by steeply rising input costs. Filipino manufacturing improved in April with higher output and new orders due to increased demand and production expansion, leading to boost purchasing activity, inventory buildup, a slight employment increase, and low inflationary pressures. Vietnam's manufacturing sector resumed growth in April with a strong rise in new orders, driving production up again. Yet, firms reduced employment and confidence decreased. Input costs rose moderately, allowing manufacturers to offer discounts to attract new business. Thailand's manufacturing sector shrank in April, with lower new orders causing reduced output and purchasing activity. Nonetheless, production remained stable, and employment stabilized. Expectations for future output were optimistic, and inflation pressures stayed low.

The Caixin China manufacturing PMI recorded its sixth straight month of expansion, reaching the highest rate since February 2023 (Apr: 51.4; Mar: 51.1), driven by accelerated supply and demand expansion, particularly strong overseas demand

Table 1: Msia Key Economic Indicator

	2022	2023	2024F
GDP growth (%)	8.7	3.7	4.7
Unempl. Rate (%)	3.5	3.3	3.3
CPI (%)	3.3	2.5	2.7
OPR (%)	2.75	3.00	3.00
IPI (%)	6.9	0.9	3.5
CPO (RM/MT)	5,161	3,810	3,600
Brent (USD/bbl)	85.9	82.0	85.0
Exports Growth (%)	24.9	-8.0	6.2
Imports Growth (%)	31.0	-6.4	5.8
Trade Surplus (RM bln)	256.2	214.1	252.0
Ringgit per Dollar	RM4.40	RM4.59	RM4.45

ASEAN overall improved, while Thailand experienced substantial deterioration.

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Caixin PMI painted a brighter picture, whereas NBS PMI retreated slightly due to increased costs.

coupled with efficient logistics operations. Purchase quantity and inventories increased as businesses remained optimistic. However, employment lagged, and low prices eroded profits, especially on the sales side. Meanwhile, China's official manufacturing PMI released by CFLP (China Federation of Logistics & Purchasing) moderated to 50.4 in April (Mar: 50.8). Despite a lower reading, this is the second straight month of expansion, implying that outlook for the manufacturing sector has stayed positive. The manufacturing PMI shows challenges in boosting demand with declining new orders and increased costs amid expanding economic activities. Despite higher costs for manufacturers, it is anticipated industrial activity recovery to persist into the second quarter. Stronger first-quarter economic growth provided momentum, but weaknesses in March retail sales, industrial profits, and property investment challenge China's efforts to revive demand broadly. Chinese authorities are expected to implement additional stimulus measures to strengthen the economy.

Overall, most ASEAN nations showed improved demand, except Thailand and Malaysia, which experienced subdued demand. Inflation pressures stayed low in most ASEAN nations, with high input costs driven by rising raw material prices due to unfavorable exchange rates and oil prices.

#### **ANALYSIS: MALAYSIA APRIL MANUFACTURING PMI**

Although the recent PMI data indicates subdued demand in Malaysia's manufacturing sector at the beginning of the second quarter of 2024, it suggests a modest growth trend and aligns with official statistics. The current evidence indicates an upward trend in demand conditions, with softer moderations in production, new business, and purchasing. Additionally, manufacturers are encouraged by the renewed expansion in new export sales, which saw the strongest growth rate in three years. Malaysia's PMI rose to 49.0 in April (Mar: 48.4), suggest a milder decline in the Malaysian manufacturing sector. As market conditions showed signs of recovery, Malaysian manufacturers reported stable employment levels in April, following three consecutive monthly declines. Malaysian manufacturing firms experienced solid input cost inflation due to rising raw material prices, especially from exchange rate weaknesses. This led to the eighth increase in output charges in nine months, following a stable period in March.

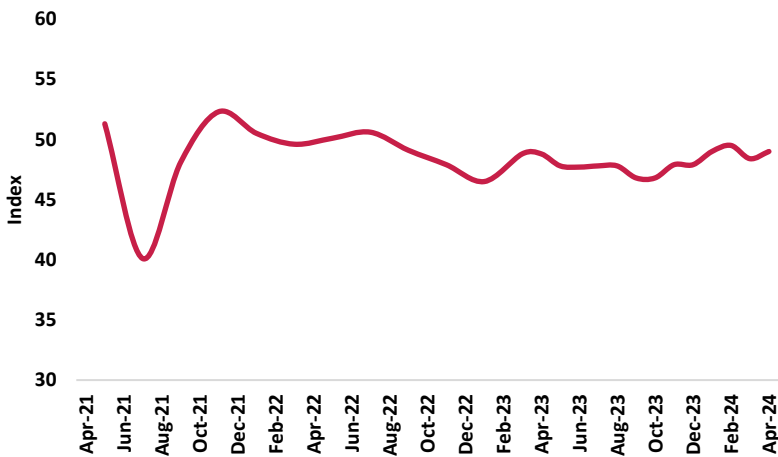
#### **OUTLOOK**

Looking forward, Malaysian manufacturers expressed uncertainty about the timing and pace of demand recovery, citing potential risks associated with a subdued global economy. The outlook towards output over the coming year remained positive in April, however the overall degree of confidence waned to the lowest for eight months. Nonetheless, a broader recovery is anticipated by the second half of 2024, driven by expected improvements in the unemployment rate and continued growth in distributive trade sales, boosted by increasing tourist arrivals and spending. Despite a slight 0.8% drop in exports and a significant 12.5% rise in imports, Malaysia's trade performance in March 2024 remained robust, expanding by 5.1%. The trade balance stayed in surplus for the 47th straight month, bolstering expectations for enhanced export growth in 2024, despite possible monthly fluctuations. Moreover, the expected rebound in the manufacturing sector, possibly led by an upturn in electronics and electrical (E&E) industries, especially in 2H24, presents a positive outlook for domestic growth. We remain optimistic on the recovery prospects in the electronics and semiconductor sectors given

*Malaysian manufacturers witnessed signs of improvement despite subdued demand in April.*

supportive base effects and underlying end demand fundamentals remain intact, driven by the structural boost from the AI-related applications which has positive spillovers to the consumer segment. Nevertheless, caution is warranted due to geopolitical tensions and the possibility of prolonged tight monetary conditions in developed economies, alongside China's economic challenges. Yet, recovery is still expected in 2H24.

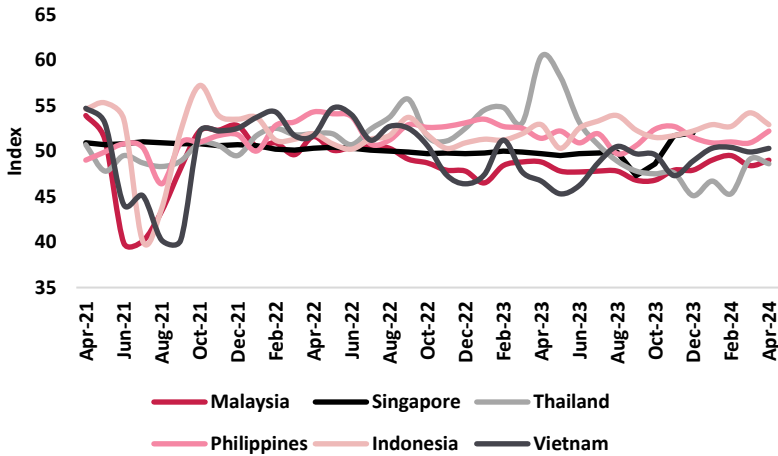
**Chart 1: Malaysia Manufacturing PMI (Apr 2021 – Apr 2024)**



Malaysian manufacturing improved slightly in April, signaling a softer sectoral downturn.

Source: Markit, BIMB Securities

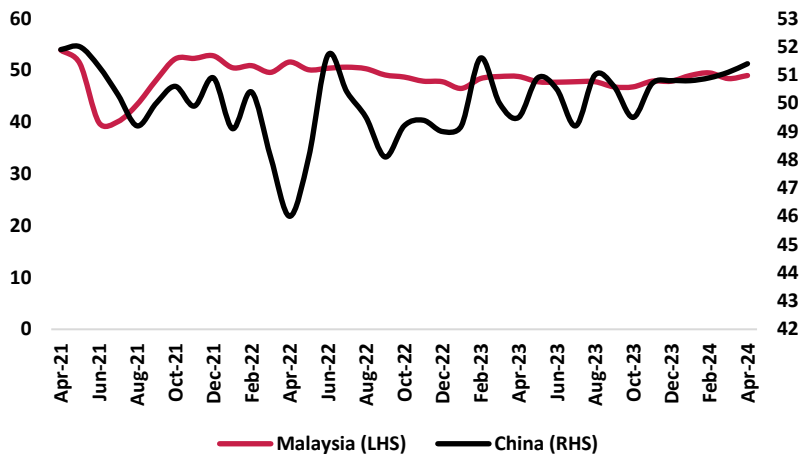
**Chart 2: ASEAN PMI Index (Apr 2021 – Apr 2024)**



ASEAN regions are generally improving, while Thailand showing the most significant deterioration.

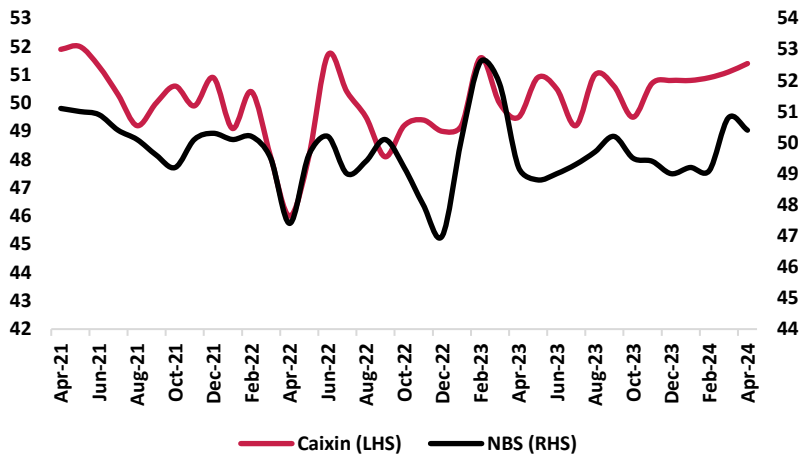
Source: Markit, BIMB Securities

Chart 3: Malaysia vs. China PMI Index (Apr 2021 – Apr 2024)



Source: Markit, BIMB Securities

Chart 4: China PMI NBS vs. China PMI Caixin (Apr 2021 – Apr 2024)



Source: Markit, NBS, BIMB Securities

China's manufacturing growth reached highest pace in 14 months in April.

Caixin's manufacturing accelerated in April, while NBS figures indicated slower growth in China.

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